# Capital Gains and Estate Tax Relief Act of 2007 Fact Sheet

## What does the Capital Gains and Estate Tax Relief Act of 2007 do?

Makes permanent the 2001/2003 reductions in the estate tax and capital gains, which are set to expire December 31, 2010.

## Cuts to Capital Gains:

- Prior to the 2003 tax cuts, capital gains were taxed at 20%.
- The 2003 tax cuts reduced the capital gains tax rate to 15%, which was extended through 2010.
- This bill would make the 15% tax rate on capital gains permanent.

## Reduced Estate Tax:

- Prior to the first tax cut in 2001, taxpayers with combined assets of more than $675,000 million were subject to the Estate Tax.
- The 2001/2003 tax cuts increased the exempted amount to $1 million in 2003, $2 million in 2007, $3.5 million in 2009, and unlimited in 2010.
- This bill would make permanent a continued increase in the exempted amount beginning with $3.75 million in 2010. It would raise the exemption to $5 million by 2015 and then index the exemption for inflation thereafter.
- This bill would eliminate the flat 55% tax rate and create two lower estate tax rate brackets, 15% for estates valued between $5 million and $25 million and 30% for estates valued above $25 million.

## Who pays these taxes?

1. Capital Gains Tax
    a. ***Home sellers and Landlords.*** Under many conditions, capital gains upon sale of real estate will be taxed. In the past decade, home prices in the U.S. have more than doubled.
    [See: http://www.ofheo.gov/media/pdf/1q07hpi.pdf]
    b. ***Middle class families.*** The Federal Reserve recently reported that the value of capital gains increased by more than 80 percent from 1998 to 2004, fueled by more middle income taxpayers investing their savings. Today, more than half of Americans own stock, up from less than 20 percent in 1983.
    [See: http://www.ici.org/pdf/rpt_05_equity_owners.pdf]
    c. ***Families saving for college education.*** According to the Investment Company Institute, over 90 percent of parents saving for their child's education said that they own taxable investments to save for college, and nearly forty percent of these say it is their only college saving vehicle.
    [See: http://www.ici.org/pdf/rpt_03_college_saving.pdf]
    d. ***Baby-boomers as they near retirement.*** In a recent survey by AARP, one-third of respondents said they currently have their money in individual stocks and mutual funds. Most financial planning professionals recommend selling stocks prior to retirement to mitigate risk.
    [See: http://assets.aarp.org/rgcenter/econ/ret_planning.pdf]

2. Estate Tax
   a. Anyone with a net worth of more than $1 million in 2011, including the value of any real estate or business assets in their name. This affects small business owners, landlords, family farmers, and middle class families with inadequate estate planning.
   b. ***Home owners.*** Real estate economists predict that approximately 70% of Americans will own a home by 2011. [See: http://www.freddiemac.com/news/pdf/americas_home_forecast.pdf] Additionally, the Federal Reserve recently reported that real estate holdings make up more than 60% of families' non-financial assets. [See: http://www.federalreserve.gov/pubs/oss/oss2/2004/bull0206.pdf]
   c. ***Small business owners.*** The Small Business Administration estimates that the number of self-employed individuals grew by 12.9% from 2000-2004. Over half (57.1%) of these individuals are older than 45 years old. In Arizona, small businesses account for 97 percent of employer businesses. [See: http://www.sba.gov/advo/research/sb_econ2006.pdf]